

Message Text

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SUBJ: YUGOSLAV FOREIGN TRADE TRENDS FOR FIRST QUARTER 1976

SUMMARY: YUGOSLAVIA REPORTEDLY REGISTERED UNEXPECTED CURRENT ACCOUNT SURPLUS OF OVER \$50 MILLION IN FIRST QUARTER 1976 DUE PRIMARILY TO A SIGNIFICANTLY REDUCED TRADE DEFICIT CAUSED BY DECLINING IMPORTS AND EXPANDING EXPORTS. EXPORTS TO EEC COUNTRIES ARE GROWING. BASED ON FIRST QUARTER DATA, ANNUAL CURRENT ACCOUNT DEFICIT MAY BE AS LOW AS \$700-\$750 MILLION. END SUMMARY.

1. UNOFFICIAL FOREIGN TRADE DATA FOR FIRST QUARTER 1976 SHOW EXPORTS (VALUE) ROSE ABOUT 8 PERCENT WHILE IMPORTS (VALUE) DECREASED ABOUT 8 PERCENT COMPARED TO FIRST QUARTER 1975. ACCORDING TO PRIVREDNI PREGLED, THREE- MONTH TRADE DEFICIT OF 10 BILLION DINARS IS SMALLEST FOR ANY THREE-MONTH PERIOD SINCE NOV 1973. YUGOSLAV IMPORT CONTROLS APPEAR PRIMARILY RESPONSIBLE FOR CONTINUING IMPROVEMENT IN TRADE BALANCE, ALTHOUGH GROWING EXPORTS ARE ALSO AN IMPORTANT FACTOR. YUGOSLAV EXPORTS ARE REPORTEDLY COVERING ABOUT 68 PERCENT OF IMPORTS.

2. APR 27 MEETING OF LCY COMMISSION GAVE VERY FAVORABLE ASSESSMENT TO FOREIGN TRADE TRENDS WHICH, ACCORDING TO MUNIR MESIHOVIC, UNCLASSIFIED

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ARE CONTINUING TO IMPROVE. MESIHOVIC SAID EXPORTS (VALUE) FROM

JAN 1 THROUGH APR 22 WERE 16.5 PERCENT GREATER THAN IN SAME PERIOD OF 1975 AND IMPORTS (VALUE) WERE 13.7 PERCENT LOWER. THE TRADE DEFICIT THROUGH APR 22, 1976 IS REPORTEDLY \$656 MILLION COMPARED TO \$1,184 MILLION IN SAME PERIOD 1975. MESIHOVIC ALSO CONFIRMED YUGOSLAVIA CONTINUES TO HAVE AN UNEXPECTED CURRENT ACCOUNT SURPLUS THROUGH APRIL WHICH HE SUGGESTED WOULD REDUCE THE PROJECTED ANNUAL DEFICIT.

3. GEOGRAPHIC STRUCTURE OF FIRST QUARTER TRADE: ACCORDING TO BORBA, EXPORTS TO QUOTE DEVELOPED WESTERN COUNTRIES UNQUOTE INCREASED 17 PERCENT, WHILE IMPORTS FROM THESE COUNTRIES DECREASED 18 PERCENT COMPARED TO FIRST QUARTER 1975. YUGOSLAV EXPORTS TO EASTERN EUROPE ROSE 7 PERCENT AND IMPORTS DECREASED WITH EXPORTS DOWN 12 PERCENT AND IMPORTS DOWN 5 PERCENT. PERHAPS MOST IMPORTANT FEATURE OF GEOGRAPHIC STRUCTURE OF TRADE IS FOR FIRST TIME DATA SHOW SIGNIFICANT GROWTH IN YUGOSLAV EXPORTS TO WESTERN EUROPE. ACCORDING TO YUGOSLAV ECONOMIC OFFICIAL, YUGOSLAV EXPORTS ROSE 20 PERCENT TO EEC COUNTRIES IN FIRST QUARTER AND EXPORT ORDERS ARE RISING IN APRIL.

4. LOOKING AT EXPORT TRENDS BY MONTH, WE SEE MARCH EXPORTS ROSE 18 PERCENT WHILE IMPORTS IN MARCH DECLINED 8 PERCENT COMPARED TO MAR 1975. MARCH EXPORTS WERE 39 PERCENT HIGHER THAN EXPORTS IN FEB 1976, WHICH WAS THE ONLY MONTH OF THE PAST SEVEN IN WHICH EXPORTS DID NOT GROW.

5. ACCORDING TO PRIVREDNI PREGLED AND EKONOMSKA POLITIKA, EXPORT EXPANSION HAS BEEN BROADLY BASED IN SEVERAL INDUSTRIAL BRANCHES, INCLUDING EQUIPMENT, CONSUMER GOODS AND AGRICULTURAL PRODUCTS. WOOD PRODUCTS, METAL PRODUCTS, LEATHER AND FOOTWEAR AND PROCESSED FOOD ALL REGISTER SUBSTANTIAL INCREASES IN EXPORTS. IMPORTS, WHICH ARE BEING ADMINISTRATIVELY LIMITED, SHOWED GREATEST GROWTH IN CONSUMER GOODS, AGRICULTURE AND ELECTRICITY. COMPARED TO 1975, SIGNIFICANT IMPORT REDUCTIONS HAVE BEEN MADE IN PRINTING, FERROUS AND NON-FERROUS METALS, CONSTRUCTION MATERIALS AND TEXTILES.

6. COMMENT: FIRST QUARTER FAVORABLE TRENDS CAN BE EXPECTED TO CONTINUE AT HIGHER LEVELS OF BOTH IMPORTS AND EXPORTS AND A GROWING TRADE DEFICIT. FUTURE EXPORTS SHOULD BENEFIT FROM UNCLASSIFIED

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PICK-UP IN WESTERN EUROPE, THE DIRECT EFFECTS OF WHICH ARE BEING FELT ON YUGOSLAV TRADE ONLY WITH SOME DELAY. ON THE OTHER HAND, IMPORT CONTROLS WHICH ARE BASED ON PRINCIPLE OF QUOTE LINKING IMPORTS TO EXPORTS UNQUOTE, MAY BE RELAXED DUE TO FIRST QUARTER

RESULTS IN ORDER ALLOW EXPANDED IMPORTS OF NEED SPARE PARTS, EQUIPMENT AND RAW MATERIAL. THE UNEXPECTED CURRENT ACCOUNT SURPLUS OF OVER \$50 MILLION WHICH APPARENTLY CONTINUES THROUGH APR

SUGGESTS ANNUAL CURRENT ACCOUNT DEFICIT MAY BE AS LOW AS \$700-\$750
MILLION INSTEAD OF \$900-950 MILLION ANTICIPATED.
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